

Message Text

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ACTION EUR-12

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 4966

INFO AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMCONSUL MUNICH

USMISSION NATO

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

AMEMBASSY BONN

AMEMBASSY LONDON

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MUNICH FOR RFE

E.O. 11652: N/A

TAGS: EFIN, ECON, HU

SUBJ: HUNGARIAN FOREIGN EXCHANGE RATE REALIGNMENT

REF 75 BUDAPEST 3148, 75 BUDAPEST A-106, 75 BUDAPEST A-88

1. AS EXPECTED (BUDAPEST A-106) HUNGARIANS ABOLISHED
STATISTICAL "OFFICIAL" EXCHANGE RATE AS OF JANUARY 1;
THERE ARE NOW TWO SETS OF EXCHANGE RATES: COMMERCIAL AND
NON-COMMERCIAL.

2. COMMERCIAL RATE REPLACES PREVIOUS FOREIGN EXCHANGE
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MULTIPLIER SYSTEM. ALTHOUGH MAGYARS ANNOUNCED WITH MUCH

HULLABALOO THAT PREVIOUS MULTIPLIER SYSTEM ABOLISHED, IN PRACTICE LITTLE HAS CHANGED, SINCE FORINT NOT CONVERTIBLE. HOWEVER NEW COMMERCIAL SYSTEM, INSTEAD OF USING ONE MULTIPLIER, HAS BOTH BUYING AND SELLING RATES. THIS GIVES SURFACE IMPRESSION THAT FORINT SOMEWHAT SIMILAR TO CONVERTIBLE CURRENCY. IN PRACTICE IT MEANS THAT CENTRAL BANK WILL NOW TAKE A CUT OF ALL FOREIGN TRADE TRANSACTIONS.

3. VIS-A-VIS U.S. DOLLAR ENTERPRISES AUTHORIZED TO DEAL IN FOREIGN TRADE WILL NOW RECEIVE 41.3 FORINTS PER DOLLAR (MIDDLE RATE), COMPARED TO 43.5 BEFORE CHANGE. THIS IS 5 PERCENT REVALUATION, INSTEAD OF 8 PERCENT WIDELY EXPECTED AND REPORTED IN PRESS (BUDAPEST 3148). PERHAPS REFLECTING INCREASED STRENGTH OF USSR AS TRADING PARTNER, FORINT DEVALUED AGAINST "TRANSFERABLE AND CLEARING" RUBLE BY 5 PERCENT; NEW RATE IS 35 FORINTS PER RUBLE.

4. NON-COMMERCIAL RATE (USED FOR TOURISTS, REMITTANCES FROM ABROAD) CHANGED MOST SIGNIFICANTLY AGAINST BRITISH POUND (9.3 PERCENT REVALUATION), WEST GERMAN MARK (5.5 PERCENT REVALUATION) AND AUSTRIAN SCHILLING (3.8 PERCENT REVALUATION). FORINT (NON-COMMERCIAL) DEVALUED VIS-A-VIS US DOLLAR SLIGHTLY LESS THAN 1 PERCENT (NEW "MIDDLE" RATE 20.65 FORINTS PER DOLLAR).

5. COMMENT: ABOLITION OF STATISTICAL RATE REMOVES CONFUSING FACTOR IN INTERPRETING HUNGARIAN FOREIGN TRADE STATISTICS. IT IS NOT CERTAIN WHY HUNGARIANS DID NOT CARRY THROUGH WITH 8 PERCENT "COMMERCIAL" REVALUATION AGAINST DOLLAR; PERHAPS RECENT STRENGTH OF U.S. FOREIGN TRADE POSITION Affected DECISION. NON-COMMERCIAL REVALUATION AGAINST POUND NOT SIGNIFICANT IN ECONOMIC TERMS, BUT CHANGE AGAINST MARK AND SCHILLING, UNLIKELY TO AFFECT LEVEL OF TOURISM FROM THOSE COUNTRIES OR REMITTANCES FROM EMIGRE HUNGARIANS, SHOULD RESULT IN HARD CURRENCY GAIN FOR HUNGARY.
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